

**CITY OF SPIRIT LAKE**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2014**

# CITY OF SPIRIT LAKE

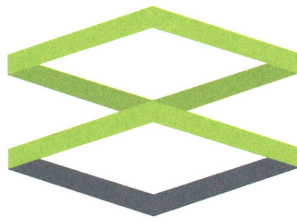
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CITY OF SPIRIT LAKE

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Blain Andera	Mayor	December 31, 2015
Jerry Harbst	Council Member	December 31, 2015
Jeff Thee	Council Member	December 31, 2015
Kevin Bice	Council Member	December 31, 2015
Clyde Ihrke	Council Member	December 31, 2017
John Chappas	Council Member	December 31, 2017
Mark Stevens	Clerk/Administrator (to April 25, 2014)	
Gregg Owens	Clerk/Administrator (from April 25, 2014)	December 31, 2014
Gregg Owens	Attorney	December 31, 2014



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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Spirit Lake  
Spirit Lake, IA 51360

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Spirit Lake, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Spirit Lake as of June 30, 2014 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

## **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Supplementary and Other Information*

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City of Spirit Lake's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on the financial statements for the five years ended June 30, 2009 which were prepared in conformity with accounting principles generally accepted in the United States of America and unqualified opinions on the financial statements for the four years ended June 30, 2013 which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 5 through 12 and 31 through 33 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2015 on our consideration of the City of Spirit Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Spirit Lake's internal control over financial reporting and compliance.

*Wintku, Stave & Co., LLP*

March 13, 2015  
Spencer, Iowa

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Spirit Lake provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2014 Financial Highlights**

- The City's total cash basis net position increased 21.57% or approximately \$1,182,100 from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities increased by approximately \$989,800 and the cash basis net position of the business type activities increased by approximately \$192,300.

### **Using This Annual Report**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds, information on the City's debt and shows the receipts and disbursements of the governmental funds for the last ten years.

### **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **Reporting The City as a Whole**

### Cash Basis Statement of Activities and Net Position

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and the solid waste department. These activities are financed primarily by user charges.

## **Reporting the City's most Significant Funds**

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes. The City has the following types of funds:

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, such as Tax Increment Financing and Road Use Tax, (c) the Debt Service Fund, and (d) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements, and changes in cash balances.

2. Proprietary funds account for the City's Enterprise and for the Internal Service Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer, and solid waste funds, considered to be major funds of the City. The Internal Service Funds are used to account for the City's self-insurance and to account for reserves accumulated to fund future equipment purchases.



The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

Reconciliations between the government-wide financial statement and the fund statements follow the fund financial statements.

## Government-Wide Financial Analysis

The City's cash balance for governmental activities increased by \$989,776 for the year ended June 30, 2014. The following analysis focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position For the Year Ended June 30,			
	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Receipts:			
Program receipts:			
Charges for services .....	\$ 121,468	\$ 135,499	\$ (14,031)
Operating grants, contributions, and restricted interest .....	683,478	654,790	28,688
Capital grants, contributions, and restricted interest ..	585,188	128,567	456,621
General receipts:			
Property and other city taxes .....	2,341,456	2,311,048	30,408
Tax increment financing .....	2,340,694	2,262,343	78,351
Local option sales tax .....	887,476	927,593	(40,117)
Unrestricted investment earnings .....	9,542	8,242	1,300
Unrestricted miscellaneous .....	65,993	46,827	19,166
Bond and note proceeds .....	<u>1,734,653</u>	<u>14,900,404</u>	<u>(13,165,751)</u>
Total receipts	<u>8,769,948</u>	<u>21,375,313</u>	<u>(12,605,365)</u>
Disbursements:			
Public safety .....	1,129,215	1,108,333	20,882
Public works .....	945,875	705,947	239,928
Health and social services .....	33,725	35,525	(1,800)
Culture and recreation .....	622,277	629,338	(7,061)
Community and economic development .....	283,235	225,725	57,510
General government .....	392,349	379,597	12,752
Debt service .....	2,690,267	16,488,386	(13,798,119)
Capital projects .....	<u>2,088,512</u>	<u>2,374,083</u>	<u>(285,571)</u>
Total disbursements	<u>8,185,455</u>	<u>21,946,934</u>	<u>(13,761,479)</u>
Change in cash basis net position before transfers	584,493	(571,621)	1,156,114
Net transfers .....	<u>405,283</u>	<u>291,277</u>	<u>114,006</u>
Change in cash basis net position	989,776	(280,344)	1,270,120
Cash basis net position - beginning of year .....	<u>2,453,281</u>	<u>2,733,625</u>	<u>(280,344)</u>
Cash basis net position - end of year	<u>\$3,443,057</u>	<u>\$ 2,453,281</u>	<u>\$ 989,776</u>

The City's total receipts for governmental activities decreased significantly from fiscal year 2013 to fiscal year 2014. This was due to bond and note proceeds being substantially less this year than last year. The City refunded several old bond issues in fiscal year 2013. This also explains the substantial decrease in debt service disbursements from fiscal year 2013 to fiscal year 2014.

Capital grants, contributions, and restricted interest receipts increased due to grants and reimbursements being received for capital projects. Public works disbursements increased due to the purchase of more equipment and vehicles for the street department.

The City's cash balance for business type activities increased by \$192,325 for the year ended June 30, 2014. The following analysis focuses on the changes in cash basis net position of business type activities.

Changes in Cash Basis Net Position  
For the Year Ended June 30,

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Receipts:			
Program receipts:			
Charges for services:			
Water .....	\$2,001,708	\$1,942,385	\$ 59,323
Sewer .....	319,795	314,234	5,561
Solid waste .....	911,515	900,834	10,681
Operating grants, contributions and restricted interest	20,717	33,286	(12,569)
Capital grants, contributions, and restricted interest ..	1,701		1,701
General receipts:			
Unrestricted investment earnings .....	10,892	11,151	(259)
Total receipts	<u>3,266,328</u>	<u>3,201,890</u>	<u>64,438</u>
Disbursements:			
Water .....	1,517,042	1,688,524	(171,482)
Sewer .....	296,348	144,609	151,739
Solid waste .....	855,330	806,543	48,787
Total disbursements	<u>2,668,720</u>	<u>2,639,676</u>	<u>29,044</u>
Change in cash basis net position before transfers	597,608	562,214	35,394
Net transfers .....	<u>(405,283)</u>	<u>(291,277)</u>	<u>(114,006)</u>
Change in cash basis net position	192,325	270,937	(78,612)
Cash basis net position - beginning of year .....	<u>3,027,482</u>	<u>2,756,545</u>	<u>270,937</u>
Cash basis net position - end of year	<u>\$3,219,807</u>	<u>\$3,027,482</u>	<u>\$192,325</u>

Total receipts for business type activities were slightly higher in fiscal year 2014 than in fiscal year 2013 due to an increase in water and sewer rates.

Water disbursements were less than the previous year due to less capital asset purchases, and sewer and solid waste disbursements were higher primarily due to an increase in capital asset purchases.

## Individual Major Governmental Fund Analysis

### Changes in Cash Balances - Governmental Funds For the Year Ended June 30,

	2014 All Funds	2013 All Funds
Receipts .....	\$ 7,028,709	\$ 6,472,774
Disbursements .....	<u>8,185,387</u>	<u>21,931,625</u>
Net .....	(1,156,678)	(15,458,851)
Other financing sources .....	<u>2,266,583</u>	<u>15,177,181</u>
Increase (decrease) in cash balances .....	1,109,905	(281,670)
Cash balances - beginning of year .....	<u>2,276,769</u>	<u>2,558,439</u>
Cash balances - end of year .....	<u>\$ 3,386,674</u>	<u>\$ 2,276,769</u>

The governmental funds reported a combined cash balance of \$3,386,674 which was an increase of \$1,109,905 from the balance at June 30, 2013.

The general, tax increment financing, road use tax, and nonmajor governmental funds showed modest increases in cash balances. The debt service fund showed a modest decrease in cash balances. The capital projects fund showed an increase in cash balances of \$801,329 due to bond proceeds of \$1,734,653 which funded prior year disbursements and projected disbursements for fiscal year 2015.

## Individual Major Business Type Fund Analysis

### Changes in Cash Balances - Proprietary Funds For the Year Ended June 30,

	2014 Enterprise Funds	2013 Enterprise Funds	2014 Internal Service Funds	2013 Internal Service Funds
Operating receipts .....	\$3,250,298	\$3,183,803	\$ 26,785	\$ 27,480
Operating disbursements .....	<u>2,111,592</u>	<u>2,162,219</u>	<u>26,243</u>	<u>52,463</u>
Excess (deficiency) of operating receipts over (under) operating disbursements .....	1,138,706	1,021,584	542	(24,983)
Non-operating receipts (disbursements) .....	(543,323)	(450,855)	2,900	3,294
Net transfers .....	<u>(409,923)</u>	<u>(381,277)</u>	<u>(116,706)</u>	<u>104,500</u>
Increase (decrease) in cash balances .....	185,460	189,452	(113,264)	82,811
Cash balances - beginning of year .....	<u>2,411,812</u>	<u>2,222,360</u>	<u>792,182</u>	<u>709,371</u>
Cash balances - end of year .....	<u>\$2,597,272</u>	<u>\$2,411,812</u>	<u>\$ 678,918</u>	<u>\$ 792,182</u>

The enterprise funds reported a cash balance of \$2,597,272 which was an increase of \$185,460 over the balances at June 30, 2013. The water and sewer funds showed a modest decrease in cash balances of \$73,218 and \$16,665, respectively. The solid waste fund showed an increase in cash balances of \$275,343 due to a repayment of a prior year interfund loan.

The internal service fund reported a decrease in cash balances of \$113,264 due to transfers from the equipment revolving fund to reimburse other funds for the purchase of equipment.

## Budgetary Highlights

During the year, the City amended the budget two times. The final amendment was approved on May 13, 2014. These amendments were primarily needed to budget anticipated additional capital project and community and development expenditures and related increases in intergovernmental receipts. Those anticipated additional disbursements and receipts have been delayed until next fiscal year. Total disbursements for the year did not exceed the final budgeted amounts.

## Debt Administration

At June 30, 2014, the City had \$32,000,000 of outstanding bonds and notes, compared to \$32,419,000 last year as detailed below:

	Outstanding Debt at Year-End	
	June 30, 2014	2013
General obligation bonds and notes .....	\$17,345,000	\$16,889,000
General obligation annual appropriation bonds .....	12,605,000	13,270,000
Water revenue capital loan notes .....	<u>2,050,000</u>	<u>2,260,000</u>
Total	<u>\$32,000,000</u>	<u>\$32,419,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. A computation of the City's available debt capacity is as follows;

Constitutional debt limit .....		\$23,462,961
General obligation bonds and notes .....	\$17,345,000	
Principal and interest due within the next fiscal year on general obligation annual appropriation bonds .....	<u>1,501,010</u>	
Total subject to constitutional debt limitation		<u>18,846,010</u>
Available debt capacity		<u>\$ 4,616,951</u>
Percentage of debt limit available		<u>19.68%</u>

The City issued \$1,735,000 of general obligation bonds and notes during the year ended June 30, 2014. The proceeds were used to help finance the new City Hall and the East Lake Industrial Park projects.

## Economic Factors Bearing on the City's Future

General economic conditions continue to improve within the City of Spirit Lake and surrounding areas with a positive effect on the City's financial condition.

The City increased its General Fund ending cash balance in fiscal year 2014 by 6% to \$1,383,790. The General Fund ending balances represent 47% of disbursements plus net transfers out, compared to our goal of at least 25% of expenditures. In fiscal year 2014, the City budgeted to use General Fund balances to avoid debt and place funds in capital reserves and the City projects those reserves will continue to remain above the 25% level.

Residential development agreements from the pre-2007 era have historically limited the City's ability to reduce debt levels; however, those agreements, as work proceeds under the agreements, have continued to create and stimulate residential and commercial development, and most of the infrastructure investment required by those agreements has been completed and the City has seen the benefits of increased residential housing and commercial construction.

Net long-term general obligation debt was reduced by \$209,000 in fiscal year 2014. The City expects a further net reduction in fiscal year 2015.

The City continues to experience increases in taxable valuation, which increases debt capacity and allows property tax receipts to increase with the tax levy rate held steady at \$10.54 per thousand taxable valuation. This tax rate was approved for fiscal year 2015 for the seventh straight year. City Administration believes that the current levy rate can continue through fiscal year 2015 and the City will be able to maintain current services without affecting our financial condition. There is additional capacity for the City to raise property tax rates if the Council approved doing so.

Economic activity is stable. Home and commercial construction activity has increased and employment is strong. Major employers in the area have increased their workforces and have plans to continue to increase their workforces in Spirit Lake. Tourism, a major factor in the area economy, has been relatively strong over the past three years. Sales tax revenue remains near historic highs and is increasing. New apartment construction continues providing new workforce housing opportunities for the area's growing industries.

The City has completed the first phase of infrastructure in the East Lake Industrial Park and one lot has sold, and a new employer has purchased and constructed significant improvements at the industrial park. Polaris Industries continues a major expansion of its plant, and Rembrandt Foods announced plans to relocate corporate offices and some research activity to Spirit Lake and commenced construction activity on the facility in the Spring of 2014.

The construction of City Hall for Spirit Lake commenced in the spring of 2014. A major street reconstruction project commenced in the Spring of 2014, on 15<sup>th</sup> Street, which is a major transportation corridor serving residential and commercial uses.

The City's workforce has remained steady; health insurance premium increases have been lower than projected; and no major events have occurred to disrupt regular operations. Equipment and vehicle replacement occurs on schedule with current funding. The City has increased its liability insurance coverage and is accumulating cash in various funds to pay costs of future equipment acquisitions and building improvements. Water and sewer rate increases were approved for fiscal year 2014 and fiscal year 2015; a rate study is planned for 2015 to determine future needs.

In summary, the City of Spirit Lake is in good financial condition and the outlook is positive.

## **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Hall, 1803 Hill Avenue, Spirit Lake, Iowa 51360.

## **BASIC FINANCIAL STATEMENTS**

CITY OF SPIRIT LAKE  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

			Program Receipts
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety .....	\$1,129,215	\$ 107,794	\$ 54,114
Public works .....	945,875		483,496
Health and social services .....	33,725		
Culture and recreation .....	622,277	6,295	54,237
Community and economic development .....	283,235		37,308
General government .....	392,349	7,379	
Debt service .....	2,690,267		54,323
Capital projects .....	<u>2,088,512</u>		
Total governmental activities	<u>8,185,455</u>	<u>121,468</u>	<u>683,478</u>
Business type activities:			
Water .....	1,517,042	2,001,708	5,725
Sewer .....	296,348	319,795	6,371
Solid waste .....	<u>855,330</u>	<u>911,515</u>	<u>8,621</u>
Total business type activities	<u>2,668,720</u>	<u>3,233,018</u>	<u>20,717</u>
TOTAL	<u>\$10,854,175</u>	<u>\$3,354,486</u>	<u>\$ 704,195</u>
General Receipts:			
Property and other city taxes levied for:			
General purposes .....			
Debt service .....			
Tax increment financing .....			
Local option sales tax .....			
Unrestricted investment earnings .....			
Unrestricted miscellaneous .....			
Bond proceeds - net .....			
Operating transfers .....			
Total general receipts and transfers			
CHANGE IN CASH BASIS NET POSITION .			
CASH BASIS NET POSITION -			
BEGINNING OF YEAR .....			
CASH BASIS NET POSITION - END OF YEAR			
CASH BASIS NET POSITION:			
Restricted, expendable for:			
Urban renewal purposes .....			
Debt service .....			
Capital projects .....			
Streets .....			
Other purposes .....			
Unrestricted .....			
TOTAL CASH BASIS NET POSITION			



## Exhibit A

Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
	\$ (967,307)		\$ (967,307)
	(462,379)		(462,379)
	(33,725)		(33,725)
	(561,745)		(561,745)
	(245,927)		(245,927)
	(384,970)		(384,970)
	(2,635,944)		(2,635,944)
<u>\$585,188</u>	<u>(1,503,324)</u>		<u>(1,503,324)</u>
<u>585,188</u>	<u>(6,795,321)</u>		<u>(6,795,321)</u>
1,701		\$ 492,092	492,092
		29,818	29,818
		64,806	64,806
<u>1,701</u>		<u>586,716</u>	<u>586,716</u>
<u>\$586,889</u>	<u>(6,795,321)</u>	<u>586,716</u>	<u>(6,208,605)</u>
	2,269,271		2,269,271
	72,185		72,185
	2,340,694		2,340,694
	887,476		887,476
	9,542	10,892	20,434
	65,993		65,993
	1,734,653		1,734,653
	405,283	(405,283)	
	<u>7,785,097</u>	<u>(394,391)</u>	<u>7,390,706</u>
	989,776	192,325	1,182,101
	<u>2,453,281</u>	<u>3,027,482</u>	<u>5,480,763</u>
	<u>\$3,443,057</u>	<u>\$3,219,807</u>	<u>\$6,662,864</u>
	\$ 606,241		\$ 606,241
		\$ 292,746	292,746
	705,016		705,016
	424,560		424,560
	275,618	19,550	295,168
	<u>1,431,622</u>	<u>2,907,511</u>	<u>4,339,133</u>
	<u>\$3,443,057</u>	<u>\$3,219,807</u>	<u>\$6,662,864</u>

See Notes to Financial Statements

CITY OF SPIRIT LAKE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Tax Increment Financing</u>	<u>Road Use Tax</u>
RECEIPTS:			
Property tax .....	\$1,675,588		
Tax increment financing .....		\$2,340,694	
Other city taxes .....	1,081,880		
Licenses and permits .....	49,843		
Use of money and property .....	5,107	2,167	
Intergovernmental .....	92,269		\$ 483,496
Charges for service .....	27,457		
Miscellaneous .....	<u>137,694</u>		
TOTAL RECEIPTS	<u>3,069,838</u>	<u>2,342,861</u>	<u>483,496</u>
DISBURSEMENTS:			
Public safety .....	942,466		
Public works .....	550,897		318,233
Health and social services .....	33,725		
Culture and recreation .....	519,857		
Community and economic development .....	110,120	173,115	
General government .....	307,763		
Debt service .....			
Capital projects .....			
TOTAL DISBURSEMENTS	<u>2,464,828</u>	<u>173,115</u>	<u>318,233</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>605,010</u>	<u>2,169,746</u>	<u>165,263</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in .....	136,596		
Operating transfers out .....	(672,195)	(2,131,018)	
Bond proceeds - net of \$347 discount .....			
Proceeds from sales of capital assets .....	<u>5,301</u>		
TOTAL OTHER FINANCING SOURCES (USES)	<u>(530,298)</u>	<u>(2,131,018)</u>	
NET CHANGE IN CASH BALANCES	74,712	38,728	165,263
CASH BALANCES - BEGINNING OF YEAR .....	<u>1,309,078</u>	<u>567,513</u>	<u>259,297</u>
CASH BALANCES - END OF YEAR	<u>\$1,383,790</u>	<u>\$ 606,241</u>	<u>\$ 424,560</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Urban renewal purposes .....		\$ 606,241	
Capital projects .....			
Streets .....			\$ 424,560
Employee benefits .....			
Police purposes .....			
Library purposes .....			
Committed for economic development .....	\$ 327,156		
Assigned for park development .....	29,624		
Assigned for building maintenance .....	50,046		
Unassigned .....	<u>976,964</u>		
TOTAL CASH BASIS FUND BALANCES	<u>\$1,383,790</u>	<u>\$ 606,241</u>	<u>\$ 424,560</u>

See Notes to Financial Statements

## Exhibit B

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 70,679		\$ 386,834	\$2,133,101
			2,340,694
1,506		12,445	1,095,831
			49,843
26	\$ 1,458	719	9,477
	146,248	3,381	725,394
			27,457
<u>54,298</u>	<u>438,939</u>	<u>15,981</u>	<u>646,912</u>
<u>126,509</u>	<u>586,645</u>	<u>419,360</u>	<u>7,028,709</u>
		186,444	1,128,910
		76,906	946,036
			33,725
		102,237	622,094
			283,235
		84,845	392,608
2,690,267			2,690,267
	<u>2,088,512</u>		<u>2,088,512</u>
<u>2,690,267</u>	<u>2,088,512</u>	<u>450,432</u>	<u>8,185,387</u>
<u>(2,563,758)</u>	<u>(1,501,867)</u>	<u>(31,072)</u>	<u>(1,156,678)</u>
2,553,988	568,543	70,715	3,329,842
			(2,803,213)
	1,734,653		1,734,653
			5,301
<u>2,553,988</u>	<u>2,303,196</u>	<u>70,715</u>	<u>2,266,583</u>
(9,770)	801,329	39,643	1,109,905
<u>1,219</u>	<u>(96,313)</u>	<u>235,975</u>	<u>2,276,769</u>
<u>\$ (8,551)</u>	<u>\$ 705,016</u>	<u>\$ 275,618</u>	<u>\$3,386,674</u>
			\$ 606,241
	\$ 705,016		705,016
			424,560
		\$ 133,277	133,277
		25,695	25,695
		116,646	116,646
			327,156
			29,624
			50,046
<u>\$ (8,551)</u>	<u>                    </u>	<u>                    </u>	<u>968,413</u>
<u>\$ (8,551)</u>	<u>\$ 705,016</u>	<u>\$ 275,618</u>	<u>\$3,386,674</u>

See Notes to Financial Statements

CITY OF SPIRIT LAKE  
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES TO THE  
 CASH BASIS STATEMENT OF ACTIVITIES AND  
 NET POSITION - GOVERNMENTAL FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

TOTAL GOVERNMENTAL FUNDS CASH BALANCES PER EXHIBIT B ..... \$3,386,674

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
 ARE DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds and to  
 fund future equipment purchases. A portion of the cash balances of the  
 internal service funds is included in governmental activities in the Cash Basis  
 Statement of Activities and Net Position. .... 56,383

CASH BASIS NET POSITION OF  
 GOVERNMENTAL ACTIVITIES PER EXHIBIT A \$3,443,057

NET CHANGE IN CASH BALANCES PER EXHIBIT B ..... \$1,109,905

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE  
 DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds and to  
 fund future equipment purchases. A portion of the change in the cash  
 balances of the internal services funds is included in governmental activities in  
 the Cash Basis Statement of Activities and Net Position. .... (120,129)

CHANGE IN CASH BASIS NET POSITION OF GOVERNMENTAL  
 ACTIVITIES PER EXHIBIT A \$ 989,776

CITY OF SPIRIT LAKE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES - PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Funds			
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
OPERATING RECEIPTS:				
Charges for services .....	\$2,001,708	\$ 319,795	\$ 911,515	\$3,233,018
Charges to operating funds .....				
Miscellaneous .....	<u>2,443</u>	<u>6,340</u>	<u>8,497</u>	<u>17,280</u>
TOTAL OPERATING RECEIPTS	2,004,151	326,135	920,012	3,250,298
OPERATING DISBURSEMENTS:				
Business type activities:				
Cost of sales and services .....	1,188,277	103,068	820,247	2,111,592
Insurance charges and claims .....	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>815,874</u>	<u>223,067</u>	<u>99,765</u>	<u>1,138,706</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments .....	5,142	1,374	2,153	8,669
Lease income .....	3,000			3,000
Proceeds from sales of capital assets ....	1,701			1,701
Purchase of capital assets .....	(84,407)	(193,321)	(35,360)	(313,088)
Debt service payments:				
Revenue note principal .....	(210,000)			(210,000)
Revenue note interest .....	(33,105)			(33,105)
Legal and other bond costs .....	<u>(500)</u>	<u>          </u>	<u>          </u>	<u>(500)</u>
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>(318,169)</u>	<u>(191,947)</u>	<u>(33,207)</u>	<u>(543,323)</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	497,705	31,120	66,558	595,383
OPERATING TRANSFERS IN .....			363,860	363,860
OPERATING TRANSFERS OUT .....	<u>(570,923)</u>	<u>(47,785)</u>	<u>(155,075)</u>	<u>(773,783)</u>
NET CHANGE IN CASH BALANCES	(73,218)	(16,665)	275,343	185,460
CASH BALANCES - BEGINNING OF YEAR	<u>1,070,901</u>	<u>498,111</u>	<u>842,800</u>	<u>2,411,812</u>
CASH BALANCES - END OF YEAR	<u>\$ 997,683</u>	<u>\$ 481,446</u>	<u>\$1,118,143</u>	<u>\$2,597,272</u>
CASH BASIS FUND BALANCES:				
Restricted, expendable for:				
Revenue note retirement .....	\$ 292,746			\$ 292,746
Water deposits .....	19,550			19,550
Unrestricted .....	<u>685,387</u>	<u>\$ 481,446</u>	<u>\$1,118,143</u>	<u>2,284,976</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 997,683</u>	<u>\$ 481,446</u>	<u>\$1,118,143</u>	<u>\$2,597,272</u>

# Exhibit D

Internal Service Funds		
<u>Self-Insurance</u>	<u>Equipment Revolving</u>	<u>Total</u>
\$ 25,740		\$ 25,740
<u>1,045</u>		<u>1,045</u>
26,785		26,785
<u>26,243</u>		<u>26,243</u>
<u>542</u>		<u>542</u>
329	\$ 2,571	2,900
<u>329</u>	<u>2,571</u>	<u>2,900</u>
871	2,571	3,442
 	50,000	50,000
<u></u>	<u>(166,706)</u>	<u>(166,706)</u>
871	(114,135)	(113,264)
<u>68,981</u>	<u>723,201</u>	<u>792,182</u>
<u>\$ 69,852</u>	<u>\$609,066</u>	<u>\$ 678,918</u>
<u>\$ 69,852</u>	<u>\$609,066</u>	<u>\$ 678,918</u>
<u>\$ 69,852</u>	<u>\$609,066</u>	<u>\$ 678,918</u>

CITY OF SPIRIT LAKE  
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES TO THE CASH BASIS STATEMENT OF  
 ACTIVITIES AND NET POSITION - PROPRIETARY FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

TOTAL ENTERPRISE FUNDS CASH BALANCES PER EXHIBIT D ..... \$2,597,272

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE  
 DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds and to  
 fund future equipment purchases. A portion of the cash balances of the internal  
 service funds is included in business type activities in the Cash Basis Statement  
 of Activities and Net Position. .... 622,535

CASH BASIS NET POSITION OF BUSINESS TYPE ACTIVITIES  
 PER EXHIBIT A \$3,219,807

NET CHANGE IN CASH BALANCES - ENTERPRISE FUNDS PER EXHIBIT D .. \$ 185,460

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE  
 DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds and to  
 fund future equipment purchases. A portion of the change in cash balances  
 of the internal service funds is included in business type activities in the Cash  
 Basis Statement of Activities and Net Position. .... 6,865

CHANGE IN CASH BASIS NET POSITION OF BUSINESS TYPE ACTIVITIES  
 PER EXHIBIT A \$ 192,325

CITY OF SPIRIT LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Spirit Lake, Iowa is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1879 and operates under the Home Rule provisions of the constitution of Iowa. The City operates under the Mayor-Council-Clerk/Administrator form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Spirit Lake provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. It also operates the water, sewer, and solid waste utilities.

**A. Reporting Entity**

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. It was determined that the City has no component units.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments.

**B. Basis of Presentation**

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

Net position is reported in two categories:

*Expendable restricted net position* results when constraints placed on net use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net cash balances that do not meet the definition of the preceding category. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.



The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

*The General Fund* is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

*Special Revenue:*

*The Tax Increment Financing Fund* is used to account for receipts from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation bonds and notes and other indebtedness incurred for urban renewal redevelopment projects.

*The Road Use Tax Fund* is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

*The Debt Service Fund* is used to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

*The Capital Projects Fund* is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

*Enterprise:*

*The Water Fund* is used to account for the operation and maintenance of the City's water system.

*The Sewer Fund* is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

*The Solid Waste Fund* is used to account for the operation and maintenance of the City's solid waste collection activities.

Additionally, the City reports the following proprietary funds:

*The Internal Service Funds* are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

### **C. Measurement Focus and Basis of Accounting**

The City of Spirit Lake maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

### **D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purposes unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

### **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information.

### **F. Subsequent Events**

Subsequent events were evaluated by management for disclosure up to the date of the auditors' report, which is the date the financial statements were available to be issued.

## 2. CASH AND INVESTMENTS

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2014 were entirely covered by Federal depository insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash and investments consisted of the following at June 30, 2014:

Cash on hand .....	\$ 818
Demand deposits .....	241,546
Certificates of deposit/savings accounts .....	<u>6,420,500</u>
	<u>\$6,662,864</u>

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

## 3. DUE FROM SPIRIT LAKE DEVELOPMENT CORPORATION

The City has loaned the Spirit Lake Development Corporation \$325,000 to purchase land for future economic development. The loan is interest-free and is payable as the land is sold. No repayments were received during the year ended June 30, 2014.

## 4. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for the City's long-term debt are as follows:

Year Ending June 30,	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>General Obligation Bonds/Notes</u>			<u>General Obligation Bonds/Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,000,000	\$ 643,603	\$ 2,643,603	\$ 455,000	\$ 120,788	\$ 575,788
2016	2,100,000	584,150	2,684,150	455,000	116,957	571,957
2017	2,240,000	543,482	2,783,482	460,000	112,215	572,215
2018	2,260,000	494,013	2,754,013	455,000	106,540	561,540
2019	2,160,000	439,600	2,599,600	460,000	100,205	560,205
2020-2024	11,330,000	1,269,480	12,599,480	2,500,000	364,818	2,864,818
2025-2028	<u>1,630,000</u>	<u>61,870</u>	<u>1,691,870</u>	<u>1,445,000</u>	<u>91,480</u>	<u>1,536,480</u>
Total	<u>\$23,720,000</u>	<u>\$4,036,198</u>	<u>\$27,756,198</u>	<u>\$6,230,000</u>	<u>\$1,013,003</u>	<u>\$7,243,003</u>

#### 4. BONDS AND NOTES PAYABLE - Continued

##### Business-Type Activities

Year Ending June 30,	<u>Water Revenue Capital Loan Notes</u>			<u>Total Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 245,000	\$ 32,055	\$ 277,055	\$ 700,000	\$ 152,843	\$ 852,843
2016	215,000	29,605	244,605	670,000	146,562	816,562
2017	215,000	27,455	242,455	675,000	139,670	814,670
2018	220,000	24,982	244,982	675,000	131,522	806,522
2019	225,000	22,013	247,013	685,000	122,218	807,218
2020-2024	930,000	48,720	978,720	3,430,000	413,538	3,843,538
2025-2028				<u>1,445,000</u>	<u>91,480</u>	<u>1,536,480</u>
Total	<u>\$2,050,000</u>	<u>\$ 184,830</u>	<u>\$2,234,830</u>	<u>\$8,280,000</u>	<u>\$1,197,833</u>	<u>\$9,477,833</u>

##### **General Obligation Bonds/Notes**

General obligation bonds/notes to be serviced by the Debt Service Fund totaled \$29,950,000 at June 30, 2014.

The general obligation bonds reported under business type activities were issued to pay for water and sewer projects. They are anticipated to be repaid by those enterprise funds. In addition, a majority of the other general obligation bonds are anticipated to be repaid from tax increment financing revenues, local option sales tax funds, and general fund receipts. In compliance with statutory requirements, any payments from other funds are recorded as reimbursements to the Debt Service Fund in the City's accounting records. General obligation bonds/notes bear interest with rates ranging from .60% to 4.60%.

##### **Revenue Notes**

The City has pledged future water customer revenues, net of specific operating expenses, to repay the \$2,675,000 water revenue refunding capital loan notes issued in May 2012. The proceeds from the notes refunded water revenue capital loan notes issued in May 2003 which provided financing for a water plant addition. The notes are payable solely from water customer net revenues and are payable through 2023. Annual principal and interest payments are expected to require less than 30% of net revenues. Total principal and interest remaining to be paid on the notes are \$2,234,830. For the current year, principal and interest paid and total customer net revenues were \$243,105 and \$815,874, respectively. The notes bear interest with rates ranging from 1.00% to 2.20%.

The resolution providing for the issuance of the water revenue refunding capital loan notes include the following provisions:

- (A) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (B) Sufficient monthly transfers shall be made into a separate water revenue sinking fund for the purpose of making the principal and interest payments when due.
- (C) Additional monthly transfers shall be made to a separate water reserve fund until a specific minimum balance has been accumulated. This fund is restricted for the purposes of paying principal and interest payments when insufficient money is available in the sinking fund. The City has fully funded this reserve.

(D) User rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the amount of principal and interest on the note falling due in the same year.

During the year ended June 30, 2014, the City was in compliance with the revenue note resolution.

## 5. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>	<u>Purpose</u>
General	Proprietary:		
	Enterprise:		
	Water	\$ 3,150	Shield transfer
	Sewer	525	Shield transfer
	Solid Waste	1,575	Shield transfer
	Internal Service:		
	Equipment Revolving	<u>131,346</u>	Equipment purchase
		<u>136,596</u>	
Debt Service:	General	301,437	Debt payments
	Special Revenue:		
	Tax increment financing	1,802,518	Debt payments
	Proprietary:		
	Enterprise:		
	Water	402,773	Debt payments
	Sewer	<u>47,260</u>	Debt payments
		<u>2,553,988</u>	
Capital Projects	General	290,043	Fund projects
	Proprietary:		
	Enterprise:		
	Water	150,000	Fund projects
	Solid Waste	<u>128,500</u>	Interfund loan
		<u>568,543</u>	
Proprietary:			
Enterprise:			
Solid Waste	Special Revenue:		
	Tax increment financing	328,500	Repay interfund loan
	Proprietary:		
	Internal Service:		
	Equipment Revolving	<u>35,360</u>	Equipment purchase
		<u>363,860</u>	
Internal Service:			
Equipment	General	10,000	Budgeted transfer
Revolving	Proprietary:		
	Enterprise:		
	Water	15,000	Budgeted transfer
	Solid waste	<u>25,000</u>	Budgeted transfer
		<u>50,000</u>	
Nonmajor			
Governmental Funds:			
Employee benefits	General	67,772	Property tax relief
Friends of the Library	General	<u>2,943</u>	Open access funds
		<u>70,715</u>	
TOTAL OPERATING TRANSFERS		<u>\$3,743,702</u>	

## **6. PENSION AND RETIREMENT BENEFITS**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of annual covered salaries. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$181,532, \$175,100, and \$161,802, respectively, equal to the required contributions for each year.

## **7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

### **Plan Description**

The City operates a single-employer benefit plan which provides medical, dental, and prescription drug benefits to active and retired employees and their eligible dependents. There are 39 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical, dental, and prescription drug benefits are provided through an insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

### **Funding Policy**

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are approximately \$445 for single coverage and \$1,087 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$239,232 and plan members eligible for benefits contributed \$39,271 to the plan.

## 8. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2014 is as follows:

Governmental activities:	
General fund .....	<u>\$ 64,140</u>
Business type activities:	
Proprietary:	
Enterprise:	
Water .....	23,098
Sewer .....	3,398
Solid waste .....	<u>1,089</u>
Total business type activities	<u>27,585</u>
TOTAL	<u>\$ 91,725</u>

This liability has been computed based on rates of pay in effect at June 30, 2014.

## 9. INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued industrial development and senior housing revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City. The outstanding balance at June 30, 2014 has not been determined.

## 10. COMMITMENTS

The City has entered into contracts for various construction projects. A summary of the projects is as follows:

Contracts total .....	\$4,593,733
Paid as of June 30, 2014 .....	<u>807,478</u>
Balance to be paid	<u>\$3,786,255</u>

The City has committed funds to several nonprofit organizations, including \$100,000 in 2015 and \$50,000 in 2016 for the construction of the YMCA. No contracts have been signed. The City will report the expenditures in the year payments are made.

The City has also entered into several tax increment financing rebate agreements with local businesses. The City has agreed to rebate the taxes paid by the business over a period of years. The City will expense the rebates as the taxes are collected and returned to the businesses.

## **11. SUBSEQUENT EVENTS**

Subsequent to June 30, 2014, the City issued \$1,515,000 in general obligation capital loan notes.

## **12. RISK MANAGEMENT**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2014 were \$103,522.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.



The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss, or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City has established a partial self-insurance health insurance fund (an internal service fund) to account for group insurance risks. The City has agreed to pay a portion of the employees' deductible.

The City has workmen's compensation coverage through the Iowa Municipalities Workers' Compensation Association. In addition, the City purchases employee blanket bond coverage from other insurers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **13. PROSPECTIVE ACCOUNTING CHANGE**

The Government Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

## OTHER INFORMATION

CITY OF SPIRIT LAKE  
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -  
ALL GOVERNMENTAL AND PROPRIETARY FUNDS  
OTHER INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
RECEIPTS:			
Property taxes .....	\$2,133,101		\$ 2,133,101
Other city taxes .....	1,095,831		1,095,831
Tax increment financing revenues .....	2,340,694		2,340,694
Licenses and permits .....	49,843		49,843
Use of money and property .....	9,477	\$ 14,569	24,046
Intergovernmental .....	725,394		725,394
Charges for services .....	27,457	3,258,758	3,286,215
Miscellaneous .....	<u>646,912</u>	<u>18,325</u>	<u>665,237</u>
TOTAL RECEIPTS	<u>7,028,709</u>	<u>3,291,652</u>	<u>10,320,361</u>
DISBURSEMENTS:			
Public safety .....	1,128,910		1,128,910
Public works .....	946,036		946,036
Health and social services .....	33,725		33,725
Culture and recreation .....	622,094		622,094
Community and economic development .....	283,235		283,235
General government .....	392,608		392,608
Debt service .....	2,690,267		2,690,267
Capital projects .....	2,088,512		2,088,512
Business type .....		<u>2,694,528</u>	<u>2,694,528</u>
TOTAL DISBURSEMENTS	<u>8,185,387</u>	<u>2,694,528</u>	<u>10,879,915</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(1,156,678)</u>	<u>597,124</u>	<u>(559,554)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfer in .....	3,329,842	413,860	3,743,702
Operating transfer out .....	(2,803,213)	(940,489)	(3,743,702)
Bond and note proceeds - net .....	1,734,653		1,734,653
Proceeds from sales of capital assets .....	<u>5,301</u>	<u>1,701</u>	<u>7,002</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,266,583</u>	<u>(524,928)</u>	<u>1,741,655</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	1,109,905	72,196	1,182,101
BALANCE - BEGINNING OF YEAR .....	<u>2,276,769</u>	<u>3,203,994</u>	<u>5,480,763</u>
BALANCE - END OF YEAR	<u>\$3,386,674</u>	<u>\$3,276,190</u>	<u>\$ 6,662,864</u>

Less Funds Not Required to be Budgeted	Net Actual	Original Budget	Final Budget	Final to Actual Variance
	\$ 2,133,101	\$ 2,142,439	\$ 2,142,439	\$ (9,338)
	1,095,831	1,074,821	1,079,821	16,010
	2,340,694	2,373,000	2,373,000	(32,306)
	49,843	44,200	51,200	(1,357)
\$ 2,900	21,146	23,600	23,600	(2,454)
	725,394	856,000	1,708,254	(982,860)
25,740	3,260,475	3,072,100	3,144,100	116,375
1,045	664,192	833,000	985,129	(320,937)
<u>29,685</u>	<u>10,290,676</u>	<u>10,419,160</u>	<u>11,507,543</u>	<u>(1,216,867)</u>
	1,128,910	1,111,136	1,186,616	57,706
	946,036	1,239,508	1,389,508	443,472
	33,725	37,300	37,300	3,575
	622,094	600,780	668,116	46,022
	283,235	315,775	801,800	518,565
	392,608	460,454	507,206	114,598
	2,690,267	2,681,532	2,706,552	16,285
	2,088,512	3,410,000	5,481,483	3,392,971
26,243	2,668,285	2,778,380	3,071,612	403,327
<u>26,243</u>	<u>10,853,672</u>	<u>12,634,865</u>	<u>15,850,193</u>	<u>4,996,521</u>
3,442	(562,996)	(2,215,705)	(4,342,650)	3,779,654
50,000	3,693,702	4,480,262	4,628,976	(935,274)
(166,706)	(3,576,996)	(4,480,262)	(4,628,976)	1,051,980
	1,734,653	1,720,000	1,735,000	(347)
	<u>7,002</u>			<u>7,002</u>
<u>(116,706)</u>	<u>1,858,361</u>	<u>1,720,000</u>	<u>1,735,000</u>	<u>123,361</u>
(113,264)	1,295,365	(495,705)	(2,607,650)	3,903,015
<u>792,182</u>	<u>4,688,581</u>	<u>4,867,139</u>	<u>5,483,871</u>	<u>(795,290)</u>
<u>\$678,918</u>	<u>\$ 5,983,946</u>	<u>\$ 4,371,434</u>	<u>\$ 2,876,221</u>	<u>\$3,107,725</u>

CITY OF SPIRIT LAKE  
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING  
FOR THE YEAR ENDED JUNE 30, 2014

The budgetary comparison is presented as Other Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$3,215,328. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted.

## **SUPPLEMENTARY INFORMATION**

CITY OF SPIRIT LAKE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 ALL NONMAJOR GOVERNMENTAL FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Employee Benefits	Police Forfeiture	Friends of the Library	Total
RECEIPTS:				
Property tax .....	\$386,834			\$386,834
Other city taxes .....	12,445			12,445
Use of money and property .....	134		\$ 585	719
Intergovernmental .....			3,381	3,381
Miscellaneous .....	542	\$ 3,782	11,657	15,981
TOTAL RECEIPTS	<u>399,955</u>	<u>3,782</u>	<u>15,623</u>	<u>419,360</u>
DISBURSEMENTS:				
Public safety .....	186,444			186,444
Public works .....	76,906			76,906
Culture and recreation .....	79,808		22,429	102,237
General government .....	84,845			84,845
TOTAL DISBURSEMENTS	<u>428,003</u>		<u>22,429</u>	<u>450,432</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(28,048)	3,782	(6,806)	(31,072)
OPERATING TRANSFERS IN .....	<u>67,772</u>		<u>2,943</u>	<u>70,715</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	39,724	3,782	(3,863)	39,643
CASH BALANCES - BEGINNING OF YEAR .....	<u>93,553</u>	<u>21,913</u>	<u>120,509</u>	<u>235,975</u>
CASH BALANCES - END OF YEAR	<u>\$133,277</u>	<u>\$ 25,695</u>	<u>\$116,646</u>	<u>\$275,618</u>
CASH BASIS FUND BALANCES:				
Restricted for:				
Employee benefits .....	\$133,277			\$133,277
Police purposes .....		\$ 25,695		25,695
Library purposes .....			\$116,646	116,646
TOTAL CASH BASIS FUND BALANCES	<u>\$133,277</u>	<u>\$ 25,695</u>	<u>\$116,646</u>	<u>\$275,618</u>

CITY OF SPIRIT LAKE  
SCHEDULE OF INDEBTEDNESS  
JUNE 30, 2014

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount of Original Issue</u>
GENERAL OBLIGATION BONDS/NOTES TO BE PAID BY GOVERNMENTAL FUNDS:			
General obligation capital loan notes, Series 2008	10-07-2008		\$ 325,000
General obligation bonds, Series 2009A	11-24-2009	3.00 - 3.80%	3,135,000
General obligation bonds, Series 2010A	8-10-2010	2.00 - 3.25%	4,095,000
General obligation bonds, Series 2010B	8-10-2010	1.75 - 3.65%	2,565,000
General obligation bonds, Series 2011	11-17-2011	.85 - 2.45%	1,025,000
General obligation storm sewer improvement bonds	7-15-2011	3.25%	103,000
General obligation annual appropriation bonds, Series 2012A	7-26-2012	2.00 - 3.55%	9,095,000
General obligation annual appropriation bonds, Series 2012B	8-28-2012	1.25 - 3.00%	4,915,000
General obligation urban renewal bonds, Series 2012C	8-28-2012	1.55 - 2.15%	1,150,000
General obligation capital loan notes, Series 2013	10-22-2013	.70 - 3.00%	1,735,000
TOTAL GENERAL OBLIGATION BONDS/NOTES TO BE PAID BY GOVERNMENTAL FUNDS			
GENERAL OBLIGATION BONDS/NOTES INTENDED TO BE PAID BY ENTERPRISE FUNDS:			
General obligation bonds, Series 2007C (sewer)	6-01-2007	4.25 - 4.60%	610,000
General obligation refunding capital loan notes, Series 2012	5-22-2012	.60 - 2.70%	6,300,000
General obligation bonds, Series 2011 (water)	11-17-2011	.85 - 2.45%	590,000
TOTAL GENERAL OBLIGATION BONDS/NOTES INTENDED TO BE PAID BY ENTERPRISE FUNDS			
TOTAL GENERAL OBLIGATION BONDS/NOTES			
REVENUE NOTES:			
Water revenue refunding capital loan notes, Series 2012	5-22-2012	1.00 - 2.20%	2,675,000



## Schedule 2

<u>Final Due Date</u>	<u>Balance Beginning of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
	\$ 70,000		\$ 70,000		\$ 2,765
6-01-2024	3,035,000		100,000	\$2,935,000	102,830
6-01-2023	2,840,000		290,000	2,550,000	79,350
6-01-2024	2,170,000		230,000	1,940,000	55,508
6-01-2022	925,000		150,000	775,000	14,907
6-01-2016	44,000		14,000	30,000	1,430
6-01-2026	8,930,000		175,000	8,755,000	239,935
6-01-2024	4,340,000		490,000	3,850,000	89,475
6-01-2025	1,150,000			1,150,000	22,500
6-01-2025	<u>          </u>	<u>\$1,735,000</u>	<u>          </u>	<u>1,735,000</u>	<u>          </u>
	<u>23,504,000</u>	<u>1,735,000</u>	<u>1,519,000</u>	<u>23,720,000</u>	<u>608,700</u>
6-01-2027	495,000		25,000	470,000	21,760
6-01-2028	5,570,000		400,000	5,170,000	91,852
6-01-2022	<u>590,000</u>	<u>          </u>	<u>          </u>	<u>590,000</u>	<u>10,238</u>
	<u>6,655,000</u>	<u>          </u>	<u>425,000</u>	<u>6,230,000</u>	<u>123,850</u>
	<u>\$30,159,000</u>	<u>\$1,735,000</u>	<u>\$1,944,000</u>	<u>\$29,950,000</u>	<u>\$732,550</u>
6-01-2023	<u>\$ 2,260,000</u>	<u>          </u>	<u>\$ 210,000</u>	<u>\$ 2,050,000</u>	<u>\$ 33,105</u>

CITY OF SPIRIT LAKE  
BOND AND NOTE MATURITIES  
JUNE 30, 2014

General Obligation Bonds/Notes						
Year Ending June 30,	Issued 7-26-2012 Series 2012A		Issued 8-28-2012 Series 2012B		Issued 8-28-2012 Series 2012C	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2015	2.00%	830,000	1.25%	350,000		
2016	2.00%	810,000	1.50%	355,000		
2017	2.00%	515,000	1.75%	650,000		
2018	2.25%	760,000	2.00%	400,000		
2019	2.50%	805,000	2.20%	350,000		
2020	2.60%	800,000	2.40%	350,000		
2021	3.00%	795,000	2.60%	350,000	1.55%	\$ 175,000
2022	3.05%	790,000	2.70%	350,000	1.75%	125,000
2023	3.10%	810,000	3.00%	350,000	2.00%	300,000
2024	3.30%	800,000	3.00%	345,000	2.00%	150,000
2025	3.40%	710,000			2.15%	400,000
2026	3.55%	330,000				
2027						
2028						
Total		<u>\$ 8,755,000</u>		<u>\$ 3,850,000</u>		<u>\$ 1,150,000</u>

General Obligation Bonds/Notes						
Year Ending June 30,	Issued 8-10-2010 Series 2010A		Issued 8-10-2010 Series 2010B		Issued 11-17-2011 Series 2011	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2015	2.00%	290,000	1.75%	235,000	0.85%	75,000
2016	2.50%	290,000	2.00%	245,000	1.15%	80,000
2017	3.00%	290,000	2.35%	250,000	1.40%	80,000
2018	3.00%	280,000	2.55%	260,000	1.65%	105,000
2019	3.00%	280,000	2.75%	150,000	1.85%	105,000
2020	3.00%	280,000	3.00%	155,000	2.10%	95,000
2021	3.00%	280,000	3.15%	160,000	2.30%	115,000
2022	3.25%	280,000	3.30%	155,000	2.45%	120,000
2023	3.25%	280,000	3.45%	160,000		
2024			3.65%	170,000		
2025						
2026						
2027						
2028						
		<u>\$ 2,550,000</u>		<u>\$ 1,940,000</u>		<u>\$ 775,000</u>

See Accompanying Independent Auditors' Report

CITY OF SPIRIT LAKE  
BOND AND NOTE MATURITIES - cont.  
JUNE 30, 2014

General Obligation Bonds/Notes					
Issued 7-15-2011		Issued 10-22-2013 Series 2013		Issued 11-24-2009 Series 2009A	
Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
3.25%	15,000	0.70%	55,000	3.00%	150,000
3.25%	15,000	0.70%	155,000	3.00%	150,000
		2.00%	155,000	3.00%	300,000
		2.00%	155,000	3.15%	300,000
		2.00%	160,000	3.30%	310,000
		2.00%	160,000	3.40%	325,000
		2.15%	170,000	3.50%	350,000
		2.35%	175,000	3.60%	350,000
		2.55%	180,000	3.70%	350,000
		2.75%	180,000	3.80%	350,000
		3.00%	190,000		
<u>\$ 30,000</u>		<u>\$ 1,735,000</u>		<u>\$ 2,935,000</u>	

General Obligation Bonds/Notes

Subtotal (A)

2,000,000  
2,100,000  
2,240,000  
2,260,000  
2,160,000  
2,165,000  
2,395,000  
2,345,000  
2,430,000  
1,995,000  
1,300,000  
330,000

\$ 23,720,000

CITY OF SPIRIT LAKE  
BOND AND NOTE MATURITIES - cont.  
JUNE 30, 2014

General Obligation Bonds/Notes								
Year Ending June 30,	Issued 6-1-2007		Issued 5-22-2012 Series 2012		Issued 11-17-2011 Series 2011		Subtotal (B)	General Obligation Total
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount		
2015	4.25%	25,000	0.60%	355,000	0.85%	\$ 75,000	455,000	2,455,000
2016	4.25%	30,000	0.75%	355,000	1.15%	70,000	455,000	2,555,000
2017	4.25%	30,000	0.95%	360,000	1.40%	70,000	460,000	2,700,000
2018	4.25%	30,000	1.10%	355,000	1.65%	70,000	455,000	2,715,000
2019	4.30%	35,000	1.30%	355,000	1.85%	70,000	460,000	2,620,000
2020	4.35%	35,000	1.50%	360,000	2.10%	80,000	475,000	2,640,000
2021	4.35%	35,000	1.70%	360,000	2.30%	75,000	470,000	2,865,000
2022	4.40%	40,000	2.00%	360,000	2.45%	80,000	480,000	2,825,000
2023	4.40%	40,000	2.10%	620,000			660,000	3,090,000
2024	4.50%	40,000	2.20%	375,000			415,000	2,410,000
2025	4.50%	40,000	2.35%	380,000			420,000	1,720,000
2026	4.60%	45,000	2.50%	385,000			430,000	760,000
2027	4.60%	45,000	2.60%	275,000			320,000	320,000
2028			2.70%	275,000			275,000	275,000

\$ 470,000

\$ 5,170,000

\$ 590,000

\$ 6,230,000   \$ 29,950,000

Revenue Note		
Issued 5-22-2012 Series 2012		
Year Ending June 30,	Interest Rate	Amount
2015	1.00%	245,000
2016	1.00%	215,000
2017	1.15%	215,000
2018	1.35%	220,000
2019	1.55%	225,000
2020	1.70%	225,000
2021	1.95%	230,000
2022	2.10%	235,000
2023	2.20%	240,000

\$ 2,050,000

All general obligation bonds/notes will be paid from the debt service fund.

Any payments from other funds will be recorded as transfers to the debt service fund.

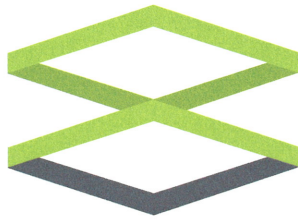
(A) Total general obligation bond/notes to be paid by governmental funds.

(B) Total general obligation bond/notes intended to paid by enterprise funds.

CITY OF SPIRIT LAKE  
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	Cash Basis			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
RECEIPTS:				
Property tax .....	\$2,133,101	\$ 2,109,569	\$ 1,999,309	\$ 1,950,264
Tax increment financing .....	2,340,694	2,262,343	2,464,146	2,415,385
Other city taxes .....	1,095,831	1,129,072	1,086,892	965,362
Licenses and permits .....	49,843	47,290	30,701	27,898
Use of money and property .....	9,477	9,544	12,804	22,757
Intergovernmental .....	725,394	550,838	601,562	527,835
Charges for services .....	27,457	28,695	18,160	22,325
Miscellaneous .....	<u>646,912</u>	<u>335,423</u>	<u>133,612</u>	<u>209,964</u>
 TOTAL RECEIPTS	 <u>\$7,028,709</u>	 <u>\$ 6,472,774</u>	 <u>\$ 6,347,186</u>	 <u>\$ 6,141,790</u>
 DISBURSEMENTS:				
Public safety .....	\$1,128,910	\$ 1,100,254	\$ 1,108,913	\$ 1,014,802
Public works .....	946,036	703,038	977,962	866,225
Health and social services .....	33,725	35,525	31,916	31,666
Culture and recreation .....	622,094	625,480	573,516	512,734
Community and economic development .....	283,235	225,725	526,226	110,250
General government .....	392,608	379,134	369,424	356,029
Debt service .....	2,690,267	16,488,386	9,337,774	9,556,100
Capital projects .....	<u>2,088,512</u>	<u>2,374,083</u>	<u>928,559</u>	<u>626,106</u>
 TOTAL DISBURSEMENTS	 <u>\$8,185,387</u>	 <u>\$21,931,625</u>	 <u>\$13,854,290</u>	 <u>\$13,073,912</u>

Cash Basis					
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 1,930,557	\$ 1,813,026	\$ 1,284,869	\$ 1,463,280	\$ 1,122,643	\$ 847,510
2,337,003	2,030,722	2,839,656	1,878,437	2,166,498	1,727,722
875,002	970,243	965,017	993,763	824,994	875,799
27,208	20,078	54,162	90,771	131,656	105,396
29,311	36,480	122,085	146,201	162,288	48,973
501,736	444,811	732,578	739,507	453,555	901,908
31,933	27,477	13,448	88,022	15,668	18,413
<u>130,984</u>	<u>222,450</u>	<u>168,498</u>	<u>283,654</u>	<u>206,945</u>	<u>473,719</u>
<u>\$ 5,863,734</u>	<u>\$ 5,565,287</u>	<u>\$ 6,180,313</u>	<u>\$ 5,683,635</u>	<u>\$ 5,084,247</u>	<u>\$ 4,999,440</u>
\$ 1,072,431	\$ 984,546	\$ 850,649	\$ 951,592	\$ 854,618	\$ 789,072
926,717	873,090	743,808	1,696,476	849,778	714,350
568,185	538,887	538,536	585,403	663,020	366,025
43,381	5,870	51,115	225,124	345,995	325,110
485,849	475,301	422,408	495,719	451,180	420,871
4,438,312	2,685,985	2,248,864	3,116,251	1,879,818	4,921,804
<u>3,742,597</u>	<u>1,150,182</u>	<u>3,080,405</u>	<u>6,914,420</u>	<u>2,995,488</u>	<u>3,436,656</u>
<u>\$11,277,472</u>	<u>\$ 6,713,861</u>	<u>\$ 7,935,785</u>	<u>\$13,984,985</u>	<u>\$ 8,039,897</u>	<u>\$10,973,888</u>



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INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and  
Members of the City Council  
City of Spirit Lake  
Spirit Lake, IA 51360

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Spirit Lake, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 13, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Spirit Lake's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as Item I-A-14 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Spirit Lake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **City of Spirit Lake's Responses to Findings**

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Spirit Lake during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Winther, Staw & Co., LLP*

March 13, 2015  
Spencer, Iowa



CITY OF SPIRIT LAKE  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014

**Part I: Findings Related to the Financial Statements**

**Internal Control Deficiency:**

I-A-14 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted, because of the limited number of employees, there are times when employees are performing duties which are not compatible.

Recommendation - We realize that with a limited number of office employees segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The City will continue to review its control procedures.

Conclusion - Response accepted.

**Instances of Non-Compliance:**

No findings were noted.

CITY OF SPIRIT LAKE  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2014

**Part II: Other Findings Related to Required Statutory Reporting**

II-A-14 Certified Budget - Disbursements for the year ended June 30, 2014 did not exceed budgeted amounts.

II-B-14 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-14 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

II-D-14 Business Transactions - The City paid Spirit Lake Mainsail (Mainsail) \$45,000 during the year ended June 30, 2014. Mayor Blain Andera is the executive director of Mainsail. This does not appear to represent a conflict of interest since the mayor is only an employee of Mainsail and does not have a vote on the Mainsail funding.

The only other related party transaction noted was a \$921 payment to Converged Technologies, LLC, a company owned by Jerry Harbst, Council Member. The transaction does not appear to represent a conflict of interest since the amount is less than \$1,500.

II-E-14 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-14 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-14 Revenue Bonds/Notes - No non-compliance with revenue note provisions were noted.

II-H-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

CITY OF SPIRIT LAKE  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2014

**Part II: Other Findings Related to Required Statutory Reporting** - Continued

- II-I-14 Urban Renewal Report - The urban renewal annual report for the fiscal year ended June 30, 2013 was approved and certified to the Iowa Department of Management on or before December 1, 2013. We noted that the City understated the June 30, 2013 balance by \$2,213,762. The June 30, 2012 balance of prior debt was reported as the balance at June 30, 2013.

Recommendation - The City should correct his error on future reports.

Response - This error was corrected on the June 30, 2014 report.

Conclusion - Response accepted.

- II-J-14 Urban Renewal Tax Reconciliation - We noted Dickinson County had not prepared and could not provide the City with a required Urban Renewal Area TIF Indebtedness/Increment Tax Reconciliation.

Recommendation - Since the County has not prepared the reconciliation, the City should expand procedures to monitor TIF obligations, certification, and reporting requirements.

Response - We will continue to monitor our TIF obligations, certifications, and reporting requirements.

Conclusion - Response accepted.